

**House Study Bill 132 - Introduced**

SENATE/HOUSE FILE \_\_\_\_\_  
BY (PROPOSED ECONOMIC  
DEVELOPMENT AUTHORITY BILL)

**A BILL FOR**

1 An Act relating to the economic development financial  
2 assistance duties and powers of the economic development  
3 authority by authorizing and creating fees and a tax  
4 rebate, affecting the aggregate tax credit limit for  
5 certain economic development programs and the tax credit  
6 for the endow Iowa tax credit, authorizing the diversion of  
7 withholding tax payments for certain programs, making an  
8 appropriation, and including effective date and retroactive  
9 applicability provisions.  
10 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35

DIVISION I  
COLLECTION OF FEES

Section 1. Section 12.10, Code 2013, is amended to read as follows:

**12.10 Deposits by state officers.**

Except as otherwise provided, all elective and appointive state officers, boards, commissions, and departments shall, within ten days succeeding the collection, deposit with the treasurer of state, or to the credit of the treasurer of state in any depository designated by the treasurer of state, ninety percent of all fees, commissions, and moneys collected or received. The balance actually collected in cash, remaining in the hands of any officer, board, or department shall not exceed the sum of five thousand dollars and money collected shall not be held more than thirty days. This section does not apply to the state fair board, the state board of regents, the utilities board of the department of commerce, the director of the department of human services, the Iowa finance authority, the economic development authority, or to the funds received by the state racing and gaming commission under sections 99D.7 and 99D.14.

Sec. 2. Section 15.106B, Code 2013, is amended by adding the following new subsection:

NEW SUBSECTION. 5. a. The authority may charge fees to businesses or individuals who receive financial assistance under chapter 15 or 15E. The amount of such fees shall be determined based on the costs of the authority associated with its performance of contract administration and compliance duties relating to economic development programs.

b. The authority may charge businesses and individuals a fee for the use of the authority's federal EB-5 immigrant investor regional center.

Sec. 3. Section 15.330, Code 2013, is amended by adding the following new subsection:

NEW SUBSECTION. 12. a. The imposition of a one-time

1 compliance cost fee of five hundred dollars to be collected  
2 by the authority prior to the issuance of a tax incentive  
3 certificate or the disbursement of financial assistance.

4 *b.* The imposition of a compliance cost fee equal to one-half  
5 of one percent of the value of tax incentives claimed pursuant  
6 to an agreement that has an aggregate tax incentive value of  
7 one hundred thousand dollars or greater. The authority shall  
8 collect the fee from the business after the tax incentive is  
9 claimed by the business from the department of revenue.

10 **Sec. 4. NEW SECTION. 15E.198 Compliance cost fees.**

11 The compliance cost fees imposed in 15.330, subsection 12,  
12 shall apply to all agreements entered into under this division  
13 and shall be collected by the authority in the same manner and  
14 to the same extent as described in that subsection.

15 **Sec. 5. EFFECTIVE UPON ENACTMENT.** This division of this  
16 Act, being deemed of immediate importance, takes effect upon  
17 enactment.

18 **Sec. 6. APPLICABILITY.** This division of this Act applies to  
19 agreements entered into on or after the effective date of this  
20 division of this Act.

21 **DIVISION II**

22 **AGGREGATE TAX CREDIT LIMITATION**

23 **Sec. 7.** Section 15.119, subsection 1, Code 2013, is amended  
24 to read as follows:

25 1. *a.* Notwithstanding any provision to the contrary in  
26 any of the programs listed in subsection 2, the authority,  
27 except as provided in paragraph "b", shall not authorize for  
28 any one fiscal year an amount of tax credits for the programs  
29 specified in subsection 2 that is in excess of one hundred  
30 ~~twenty~~ eighty-five million dollars.

31 *b.* (1) The authority may authorize an amount of tax credits  
32 during a fiscal year that is in excess of the amount specified  
33 in paragraph "a", but the amount of such excess shall be counted  
34 against the total amount of tax credits that may be authorized  
35 for the next fiscal year.



1 shall not exceed five percent of the aggregate amount of tax  
2 credits authorized.

3 ~~a.~~ b. Ten percent of the aggregate amount of tax credits  
4 authorized in a calendar year shall be reserved for those  
5 endowment gifts in amounts of thirty thousand dollars or less.  
6 If by September 1 of a calendar year the entire ten percent of  
7 the reserved tax credits is not distributed, the remaining tax  
8 credits shall be available to any other eligible applicants.

9 ~~b.~~ ~~For purposes of this subsection, the additional credit~~  
10 ~~amount shall be an amount for each applicable calendar year~~  
11 ~~determined by the department of revenue equal to the amount of~~  
12 ~~money credited as provided by section 99F.11, subsection 3,~~  
13 ~~paragraph "d", subparagraph (3), for the prior fiscal year.~~

14 Sec. 12. Section 99F.11, subsection 3, paragraph d,  
15 subparagraph (3), Code 2013, is amended by striking the  
16 subparagraph.

17 Sec. 13. EFFECTIVE UPON ENACTMENT. This division of this  
18 Act, being deemed of immediate importance, takes effect upon  
19 enactment.

20 Sec. 14. RETROACTIVE APPLICABILITY. This division of this  
21 Act applies retroactively to January 1, 2013, for endow Iowa  
22 tax credits authorized on or after that date.

23 DIVISION IV

24 WITHHOLDING TAX DIVERSION

25 Sec. 15. NEW SECTION. 15.331 Withholding tax payment  
26 diversion.

27 1. If the authority enters into an agreement pursuant to  
28 this part, or pursuant to chapter 15E, division XVIII, for  
29 any of the incentives or assistance provided under this part,  
30 the authority and the eligible business may agree to credit  
31 a portion of the withholding payments required under section  
32 422.16 to the authority as provided in this section.

33 2. a. An eligible business entering into a withholding  
34 agreement with the authority pursuant to this section shall  
35 remit the total amount of withholding payments due pursuant to

1 section 422.16 to the department of revenue.

2     *b.* The department of revenue shall quarterly deposit in a  
3 fund created pursuant to section 15.106A an amount equal to two  
4 and one-half percent of the gross wages paid by the eligible  
5 business to each employee holding a created or retained job  
6 covered by an agreement entered into pursuant to this part or  
7 chapter 15E, division XVIII. Moneys to be deposited pursuant  
8 to this paragraph shall not be paid to the authority until  
9 the correct amounts have been verified by the department of  
10 revenue.

11     3. Withholding payments shall be deposited pursuant to this  
12 section by the department of revenue for each employee holding  
13 a created or retained job for the duration of the agreement  
14 between the eligible business and the authority.

15     4. The authority and the eligible business shall provide  
16 to the department of revenue any information necessary to  
17 correctly process the diversion of withholding tax payments  
18 pursuant to this section.

19     5. An employee holding a created or retained job shall  
20 receive full credit for the amount withheld as provided in  
21 section 422.16.

22     6. If a portion of the employee's gross wages are subject  
23 to a withholding credit diversion under chapter 260E, chapter  
24 260G, or section 403.19A, or a supplemental withholding credit  
25 diversion under section 15E.197, when a withholding credit  
26 diversion under this section is agreed to, then the withholding  
27 payments shall be credited in the following order of priority:

28     *a.* First, the withholding payments to be credited pursuant  
29 to chapters 260E and 260G and section 15E.197.

30     *b.* Second, the withholding payments to be credited pursuant  
31 to this section.

32     *c.* Third, the withholding payments to be credited pursuant  
33 to section 403.19A.

34     7. If a withholding agreement is entered into pursuant to  
35 this section before a withholding agreement is entered into

1 under chapter 260E or 260G, or section 15E.197 or 403.19A, the  
2 withholding payments shall be credited in the order in which  
3 the agreements are entered into.

4 8. The authority, in conjunction with the department of  
5 revenue, shall adopt rules for the administration of this  
6 section.

7 Sec. 16. EFFECTIVE UPON ENACTMENT. This division of this  
8 Act, being deemed of immediate importance, takes effect upon  
9 enactment.

10 Sec. 17. RETROACTIVE APPLICABILITY. This division of  
11 this Act applies retroactively to July 1, 2012, for high  
12 quality jobs program agreements and enterprise zone program  
13 agreements entered into on or after that date, and for awards  
14 of incentives or assistance made under those programs on or  
15 after that date.

16 DIVISION V

17 CITY DEVELOPMENT BOARD FEES

18 Sec. 18. Section 368.10, Code 2013, is amended to read as  
19 follows:

20 **368.10 Rules — establishment of filing fees.**

21 The board may establish rules for the performance of its  
22 duties and the conduct of proceedings before it. The rules  
23 may include establishing filing fees for applications and  
24 petitions submitted to the board. The amounts collected  
25 from the establishment of such fees are appropriated to the  
26 board for the purpose of reimbursing the economic development  
27 authority for the budgeted costs of covering the board's  
28 expenses as described in section 368.9, subsection 1. Any  
29 amounts collected in a fiscal year by the board in excess of  
30 such budgeted costs shall be deposited in the general fund of  
31 the state. The board's rules are subject to chapter 17A, as  
32 applicable.

33 DIVISION VI

34 HIGH QUALITY JOBS REPLACEMENT TAX REBATE

35 Sec. 19. NEW SECTION. **15.332A Replacement tax rebate.**

1 1. Subject to the conditions in subsection 2, a community  
2 may rebate all or a portion of the tax imposed and collected  
3 pursuant to section 437A.5 on natural gas delivered or consumed  
4 in completion of a project to the extent that the delivery or  
5 consumption is directly related to new jobs created by the  
6 start-up, location, or expansion of an eligible business under  
7 the program.

8 2. A rebate provided pursuant to this section shall be for  
9 a period equal to the length of the agreement executed pursuant  
10 to this part or twenty years, whichever is less.

11 Sec. 20. EFFECTIVE UPON ENACTMENT. This division of this  
12 Act, being deemed of immediate importance, takes effect upon  
13 enactment.

14 Sec. 21. APPLICABILITY. This division of this Act applies  
15 to high quality jobs program agreements entered into on or  
16 after July 1, 2012.

17 EXPLANATION

18 This bill relates to the financial management of the  
19 economic development authority (EDA) by authorizing and  
20 creating fees and a tax rebate, affecting the aggregate tax  
21 credit limit for certain economic development programs and  
22 the tax credit for the endow Iowa tax credit, authorizing the  
23 diversion of withholding tax payments for certain programs, and  
24 by making an appropriation.

25 COLLECTION OF FEES. Division I amends Code section  
26 15.106B, relating to the program powers of the EDA, to allow  
27 for the imposition and collection of fees from businesses or  
28 individuals who receive financial assistance from the EDA under  
29 Code chapter 15 or 15E. The fee amounts are to be determined  
30 based on the EDA's costs of administering contracts under its  
31 various economic development programs. The division also  
32 allows the EDA to charge a fee for the use of its federal EB-5  
33 immigrant investor regional center. Code section 12.10 is  
34 amended to allow the EDA to retain the fees it collects by  
35 adding the EDA to the list of departments exempted from the

1 requirement to deposit all collected fees with the treasurer of  
2 state.

3 The division creates two compliance cost fees to be imposed  
4 on all persons or entities that enter into an agreement with  
5 the EDA under its high quality jobs program or enterprise zone  
6 program. First, a one-time compliance cost fee of \$500 due  
7 prior to the issuance of a tax incentive certificate or the  
8 disbursement of financial assistance. Second, a compliance  
9 cost fee equal to 0.5 percent of the value of tax incentives  
10 claimed under any agreement that has an aggregate tax incentive  
11 value of \$100,000 or greater, which fee is due after a tax  
12 incentive is claimed from the department of revenue.

13 The division takes effect upon enactment and applies to  
14 agreements entered into on or after the effective date of the  
15 division.

16 AGGREGATE TAX CREDIT LIMITATION. Division II increases  
17 the aggregate tax credit limit on EDA programs listed in  
18 Code section 15.119 from \$120 million per fiscal year to  
19 \$185 million per fiscal year. The division allows the EDA  
20 to reallocate, authorize, and award for a fiscal year any  
21 amount of tax credits that were previously awarded by the EDA,  
22 provided the tax credit is irrevocably declined by the awarded  
23 business before the close of the fiscal year which follows the  
24 fiscal year in which it was awarded. Any amount of tax credits  
25 reallocated, authorized, and awarded under this provision shall  
26 not be included in the calculation of the aggregate tax credit  
27 limit for the fiscal year.

28 The division amends the requirements that \$2 million and \$8  
29 million in tax credits be allocated to the qualifying business  
30 and community-based seed capital funds investment tax credits  
31 and the innovation fund tax credit, respectively, to allow  
32 the EDA to allocate a lesser amount if it determines the tax  
33 credits awarded for that fiscal year will be lower.

34 The division takes effect upon enactment and applies  
35 retroactively to July 1, 2012.

1       ENDOW IOWA TAX CREDIT LIMIT. Under current law, the amount  
2 of endow Iowa tax credits that may be authorized in a calendar  
3 year cannot exceed a total of \$3.5 million plus a certain  
4 percentage of the wagering tax receipts as provided in Code  
5 section 99F.11. Division III amends this annual limit to  
6 provide that a maximum of \$5 million per calendar year may  
7 be authorized and to provide that amounts collected from the  
8 wagering tax pursuant to Code section 99F.11 will no longer be  
9 used to fund the endow Iowa tax credit.

10       The division takes effect upon enactment and applies  
11 retroactively to January 1, 2013, for endow Iowa tax credits  
12 authorized on or after that date.

13       WITHHOLDING TAX DIVERSION. Division IV provides for  
14 a diversion of withholding tax to the EDA. The division  
15 provides that the authority may enter into agreements with  
16 recipients of financial assistance under the high quality jobs  
17 program and the enterprise zones program that allow for the  
18 diversion of withholding tax payments pursuant to Code section  
19 422.16 from the department of revenue to the authority. The  
20 diversion amount will be 2.5 percent of gross wages paid by  
21 eligible businesses to each employee considered to be holding a  
22 created or retained job. The division establishes a priority  
23 withholding order if the employee's wages are subject to  
24 another withholding diversion. The division provides that the  
25 withholding diversion takes effect upon enactment and applies  
26 retroactively to high quality jobs program agreements and  
27 enterprise zone program agreements entered into on or after  
28 July 1, 2012, and awards of incentives and assistance made  
29 under those programs on or after July 1, 2012.

30       CITY DEVELOPMENT BOARD FEES. Under current law, the EDA  
31 is required to provide office space and staff assistance to  
32 the city development board created in Code section 368.9,  
33 and to budget funds to cover expenses of the board. Also  
34 under current law, the city development board is allowed to  
35 impose fees upon applications and petitions submitted to the

1 board. Division V appropriates the amounts collected from  
2 those fees to the city development board for the purpose of  
3 reimbursing the EDA for the budgeted costs of covering the  
4 board's expenses. Any fees collected in a fiscal year by the  
5 city development board in excess of such budgeted costs shall  
6 be deposited in the general fund of the state.

7 HIGH QUALITY JOBS REPLACEMENT TAX REBATE. Division VI  
8 provides that a community may rebate all or a portion of the  
9 replacement tax imposed on the delivery of natural gas in Code  
10 section 437A.5. To qualify for the rebate, the natural gas  
11 upon which the replacement tax was paid must be delivered or  
12 consumed in completion of a project that is part of a high  
13 quality jobs program agreement and must be directly related to  
14 new jobs created by the start-up, location, or expansion of an  
15 eligible business under the high quality jobs program.

16 The division takes effect upon enactment and applies to high  
17 quality jobs program agreements entered into on or after July  
18 1, 2012.